

May 5, 2010

**VIA ELECTRONIC FILING**

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

Re: National Broadband Plan  
CC Docket No. 96-45 - Federal-State Joint Board on Universal Service  
**NOTICE OF EX PARTE PRESENTATION**

Dear Ms. Dortch:

On May 5, 2010, F.J. Pollak, President and Chief Executive Officer, TracFone Wireless, Inc., and I met with Chairman Julius Genachowski, Shomik Dutta, Special Counsel to the Chairman, and with James D. Schlichting, Senior Deputy Chief, Wireless Telecommunications Bureau. During the meeting we discussed TracFone and its SafeLink Wireless® Lifeline service, as well as ideas for bringing affordable broadband access to low-income consumers, potential reforms of the federal Universal Service Fund, and certain issues regarding TracFone's provision of Lifeline services as a designated eligible telecommunications carrier.

We provided each attendee with two documents -- a presentation overview, and a copy of a survey of Internet Access, Usage and Interest Among SafeLink Users, prepared for TracFone by Options Market Research & Consulting, Inc. Copies of both documents are enclosed herewith.

Pursuant to Section 1.1206(b) of the Commission's rules, this letter is being filed electronically. If there are questions, please communicate directly with undersigned counsel for TracFone Wireless, Inc.

Sincerely,



Mitchell F. Brecher

cc: Hon. Julius Genachowski  
Mr. Shomik Dutta  
Mr. James Schlichting

enclosures

## **Enclosure 1**

May 2010

TracFone Wireless Overview prepared for  
FCC Chairman Julius Genachowski



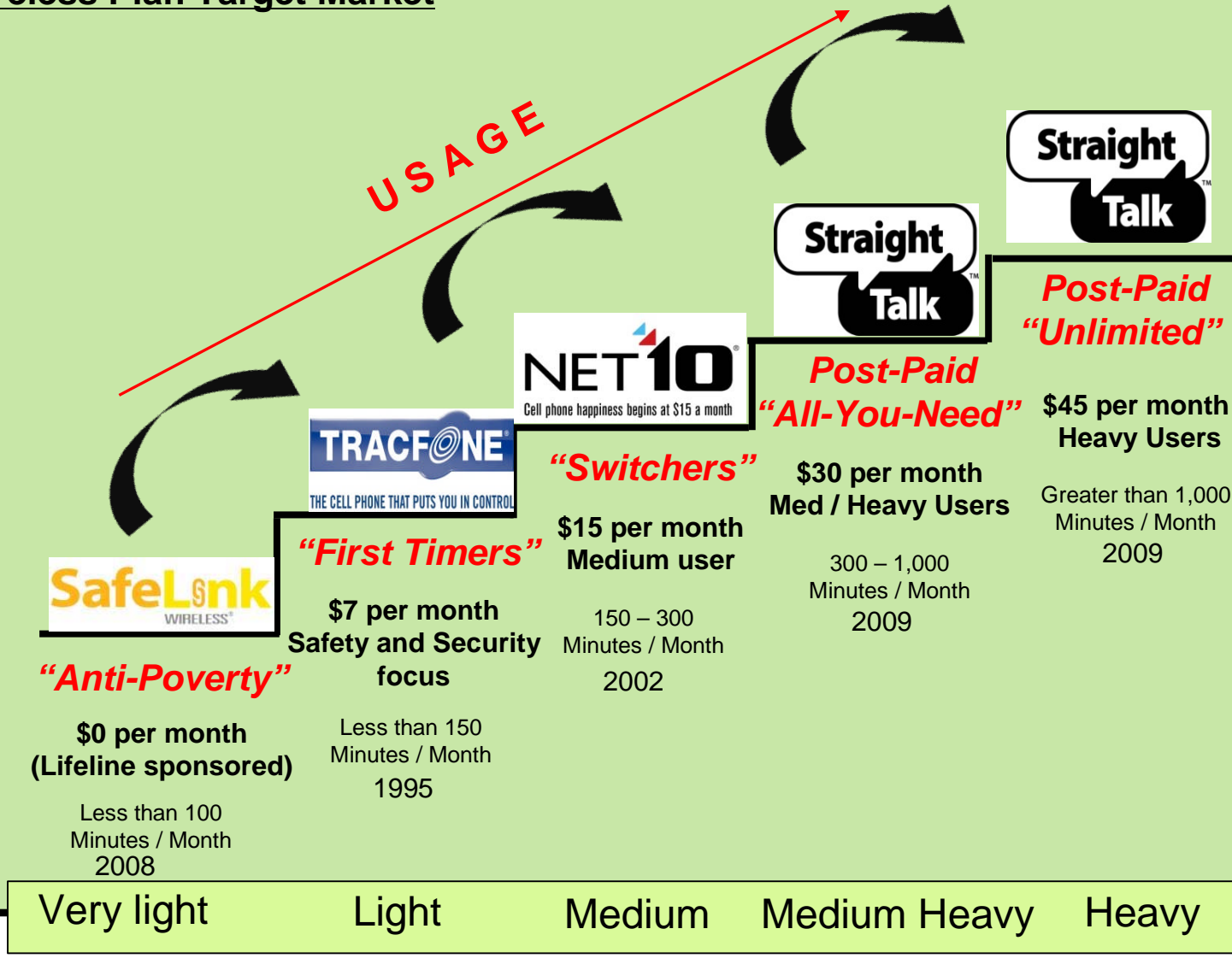
# TracFone Wireless, Inc. – Background

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- **Started business as a reseller in 1996 – a true start up**
- **Business was built around Big Box/National retail, making it easy to sell wireless everywhere targeting customers that most wireless carriers did not want to service**
  - Low Volume
  - Low Income
  - Recent Immigrants
  - Transient/youth/military
  - Homeless
- **Today, we have 15.5 million customers on 4 distinct brands (TracFone, NET10, Straight Talk and SafeLink) and we added over 1 million net new customers in both Q4 2009 (3.2 million for the year) and Q1 2010**
  - SafeLink is our Lifeline product—we are a designated ETC in 28 jurisdictions
- **Our net service revenues in Q1 2010 were \$508 million**
- **We are dedicated to helping people “save money” on their wireless service, stay in control over their costs and to allow them to have the freedom to chose to do whatever they want, whenever they want (no contracts, flexible plans, no hidden fees etc...)**

# TracFone Brands Now Serve Every Type of Cell Phone User

## Wireless Plan Target Market



# SafeLink and Low-Income Broadband Adoption

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- Our SafeLink wireless Lifeline offer has been extremely successful and very well received by low-income households—more than 3 million low-income households are enrolled.
  - Free Phones
  - Free Minutes
  - Full-featured

SafeLink households' broadband adoption rates are extremely low

- 80% of these households do not have any access to internet at home
  - 10% have Broadband at home and 10% have dial-up
  - Over ½ of these households say they “want” broadband in their place of residence, but simply cannot afford it with most saying that service and the computer/device cost would need to be as close to “free” as possible
- SafeLink households' say that they would like to be able to do the following with broadband
  - 88% for educational purposes
  - 81% to send / receive email
  - 77% for job searches or employment opportunities
  - 60% for commercial on-line transactions
- Clearly, there is a huge issue here!

## Suggestion to Start to Fix this Issue

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- Permit existing ETC's that are currently offering Lifeline to extend Broadband subsidies to qualifying households
- A good place to start would be to create a new, \$10-\$20 Monthly Lifeline Broadband subsidy that would be used to reduce carrier retail broadband service for qualified carriers that want to participate.
  - Some minimum service requirements may be needed/established
- If the service offering combines voice with broadband/mobile web, the household would qualify to receive a \$20-\$30 subsidy (\$10 voice, \$10-\$20 web)
- Since equipment costs are a huge barrier to entry, we would suggest that the FCC consider providing a household with a 1-time credit of up to \$200 to cover the cost of a pc, laptop or mobile internet device

# USF Reform

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- We have contributed to USF based on actual interstate revenues
- A numbers or connections-based contribution methodology would create hardship for prepaid wireless providers—and their low-income, low-volume customers
- Solution: USF by the Minute Proposal:
  - Per number assessment/national wireless average revenue per user x provider's minutes of use per month capped at the monthly number assessment amount
  - Plan was supported by all 5 Commissioners in November 2005



# ETC Designation Process

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- TracFone designated as an ETC (Lifeline-only) by the FCC in 10 states and the District of Columbia
- TracFone has obtained 17 state ETC designations and has pending 18 others
- Some states have allowed the ETC process to be used by intervenors and others to advance agendas which have nothing to do with Universal Service
  - Keep out competition to local telephone companies
  - Enforce state laws regarding 911 funding and other matters
- FCC should be aware that some (not all) states are frustrating full implementation of Federal Lifeline Program
- Many state laws governing 911 funding are discriminatory, not competitively neutral and unworkable for the entire prepaid wireless industry
- FCC should commence a comprehensive review of state funding laws to ensure that they are consistent with federal requirements, and that they are enforced fairly, and through means other than the ETC designation process

## **Enclosure 2**



# OPTIONS

Marketing Research & Consulting, Inc.

## **Internet Access, Usage and Interest** **Among SafeLink Users** **September 2009**

**Topline Report**

**Prepared for:**



**October 13, 2009**

3	Research Overview
4	Management Summary
5	Broadband Access and Affordability
9	Broadband Uses/Benefits
13	Surveyed SafeLink User Profile

## Research Objectives and Research Design

SafeLink management recently commissioned a survey of 1000 SafeLink Wireless users to establish their:

- Internet access status
- Access to and interest in obtaining broadband service at home
- Current or potential Internet usage behavior

To meet these information needs a short telephone survey of SafeLink Wireless users was conducted between August 30 and September 4, 2009. SafeLink users qualified to participate in the survey if they:

- Had no Internet access at home and were interested in obtaining broadband service, or
- Had dialup access at home and were interested in obtaining Broadband service, or
- Had Internet access outside of the home.

Those who had Internet access outside of the home (73%) were asked:

- What type of access they had (dialup or broadband), where their access originated, how they used the Internet and whether or not they had an email address

Those who wanted broadband service at home (56%) were asked:

- How they would use the Internet, what price would be considered affordable for monthly broadband access, whether or not they had a computer at home and what price would be considered affordable for a computer if they did not have one

On the following pages, the survey results are outlined for the Total Sample of SafeLink users as well as the following subgroups:

- Those with Internet access
- Those without Internet access

This study was designed and executed by Options Marketing Research and Consulting at the request of TracFone Wireless. Any questions can be directed to Robin Naismith, VP, at 949-219-0520, ext. 113 or [rnaismith@options-mrc.com](mailto:rnaismith@options-mrc.com).

## Summary of Findings

A September 2009 study of 1000 SafeLink Users to identify Broadband access and affordability concluded the following:

- 86% of SafeLink Users do not have any access to the Internet at home.
- A relatively small proportion, 10%, have Broadband access at home.
- 52% of SafeLink users would like to have Broadband access at home.
- Among those who would like to have Broadband access, 50% indicated they would need Broadband access to free or extremely low in cost: 38% indicated it would have to be free and another 12% indicated it would have to be \$10 or less per month.
- Over half of those who want Broadband access do not have computers. Among all SafeLink users: 32% want Broadband and do not have a computer and 20% want Broadband and do have a computer.
- Among those who want Broadband but do not have a computer, 54% indicated they could not afford a computer at any cost at this time ("would have to be free").

From a list, SafeLink Users indicated they would use their Broadband in the following ways:

- 88% Educational purposes
- 81% Send or receive email
- 77% Search for job or employment opportunities
- 71% Entertainment
- 60% Online commercial transactions

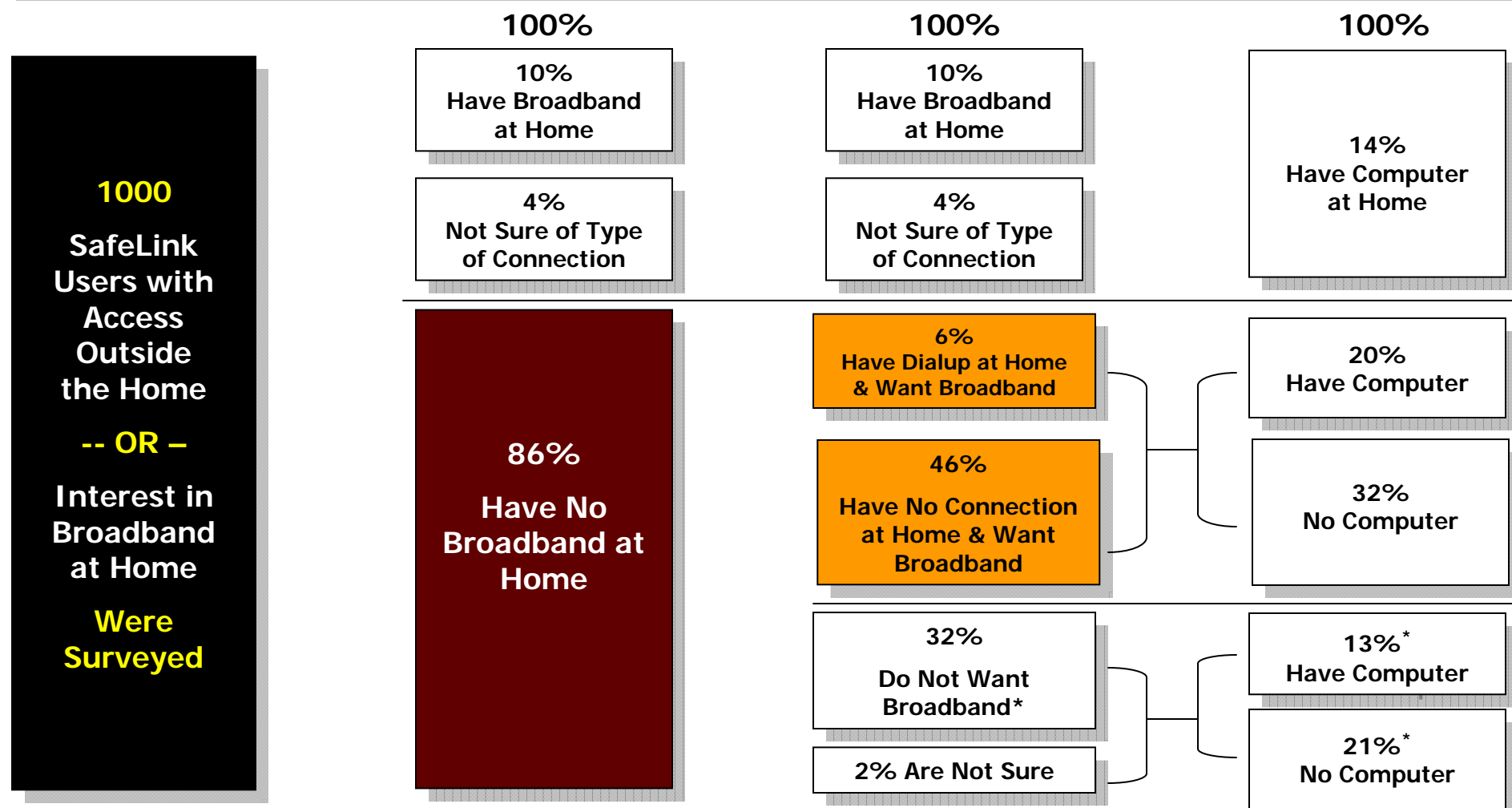
# **Broadband Access and Affordability**

## Home Broadband Status, Interest and Computer Status

86% of SafeLink Users do not have Broadband access at home. 10% do, and 4% are not sure of their service.

52% would like to have Broadband access at home.

32% would like to have Broadband access at home but do not own a computer.



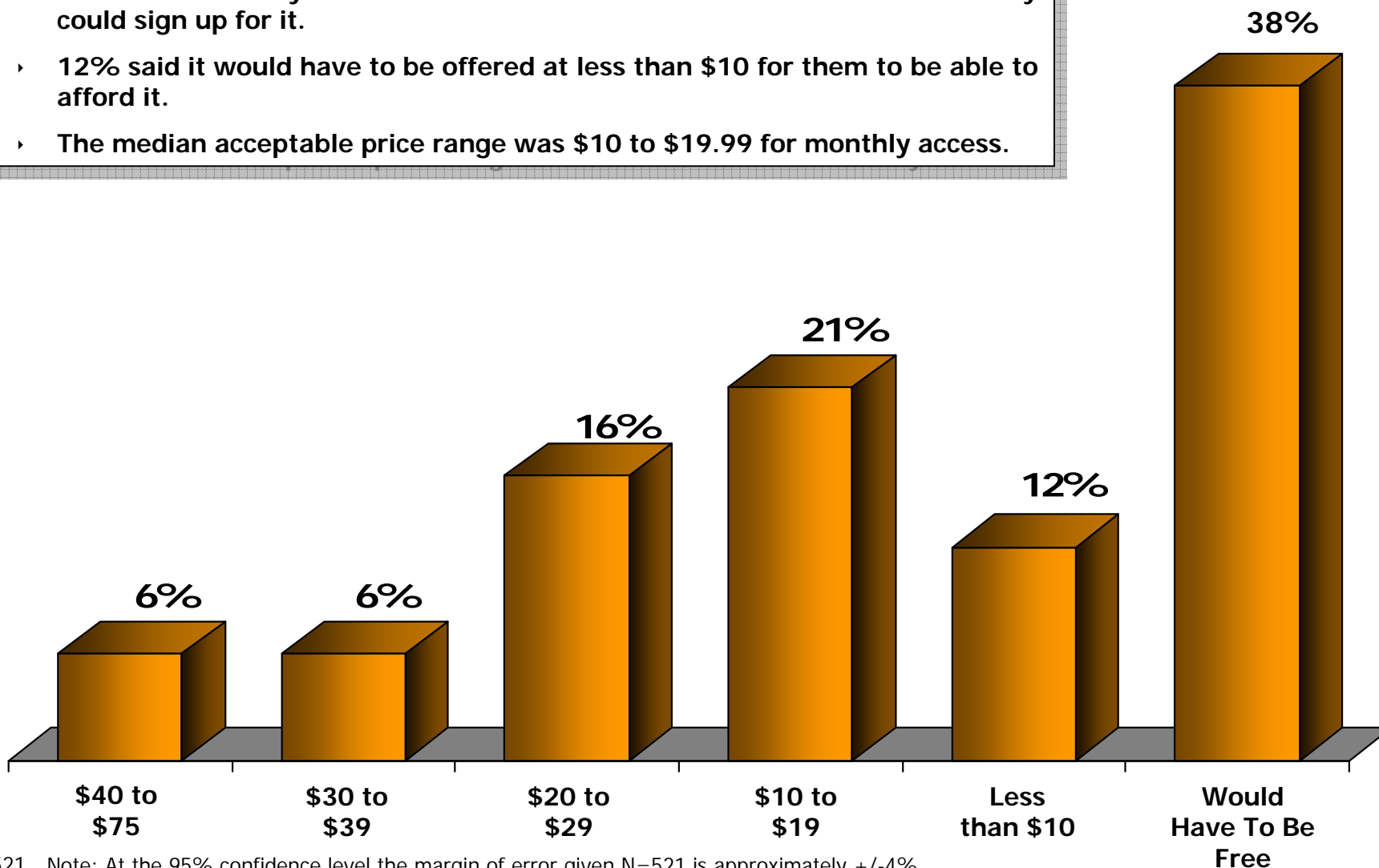
Note: At the 95% confidence level, the margin of error given N=1000 is approximately +/-3%. \* Derived



## At What Price Would Broadband Access Become Affordable Enough for You to Sign Up?

Among those who would like to have Broadband at home (52%),

- 38% said monthly Broadband service would have to be free before they could sign up for it.
- 12% said it would have to be offered at less than \$10 for them to be able to afford it.
- The median acceptable price range was \$10 to \$19.99 for monthly access.

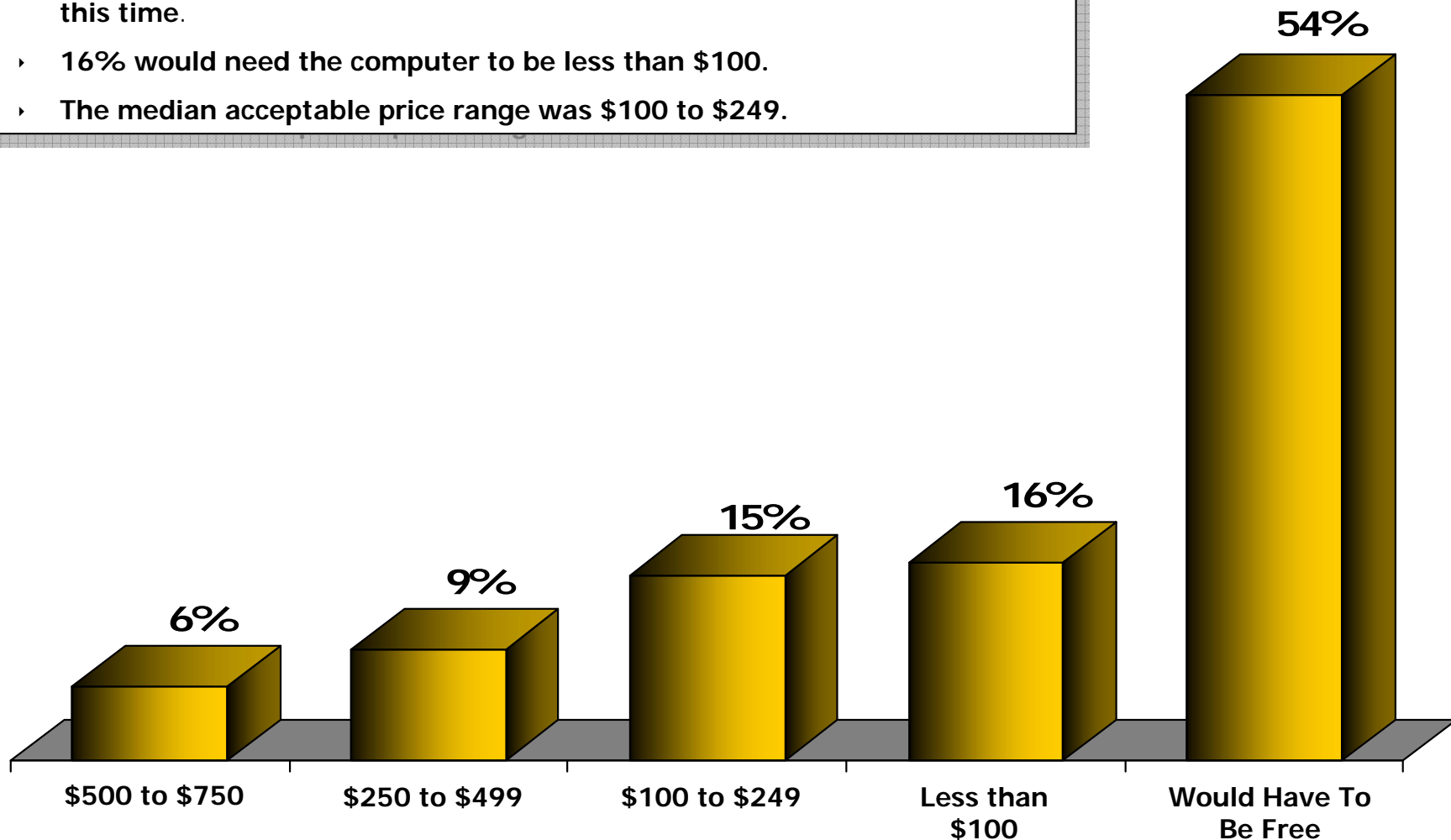


N=521 Note: At the 95% confidence level the margin of error given N=521 is approximately +/-4%.

## At What Price Would a Home Computer Become Affordable Enough for You to Buy?

Among those who do not have a computer at home (32%):

- 54% said a computer would have to be free, they cannot afford one at this time.
- 16% would need the computer to be less than \$100.
- The median acceptable price range was \$100 to \$249.

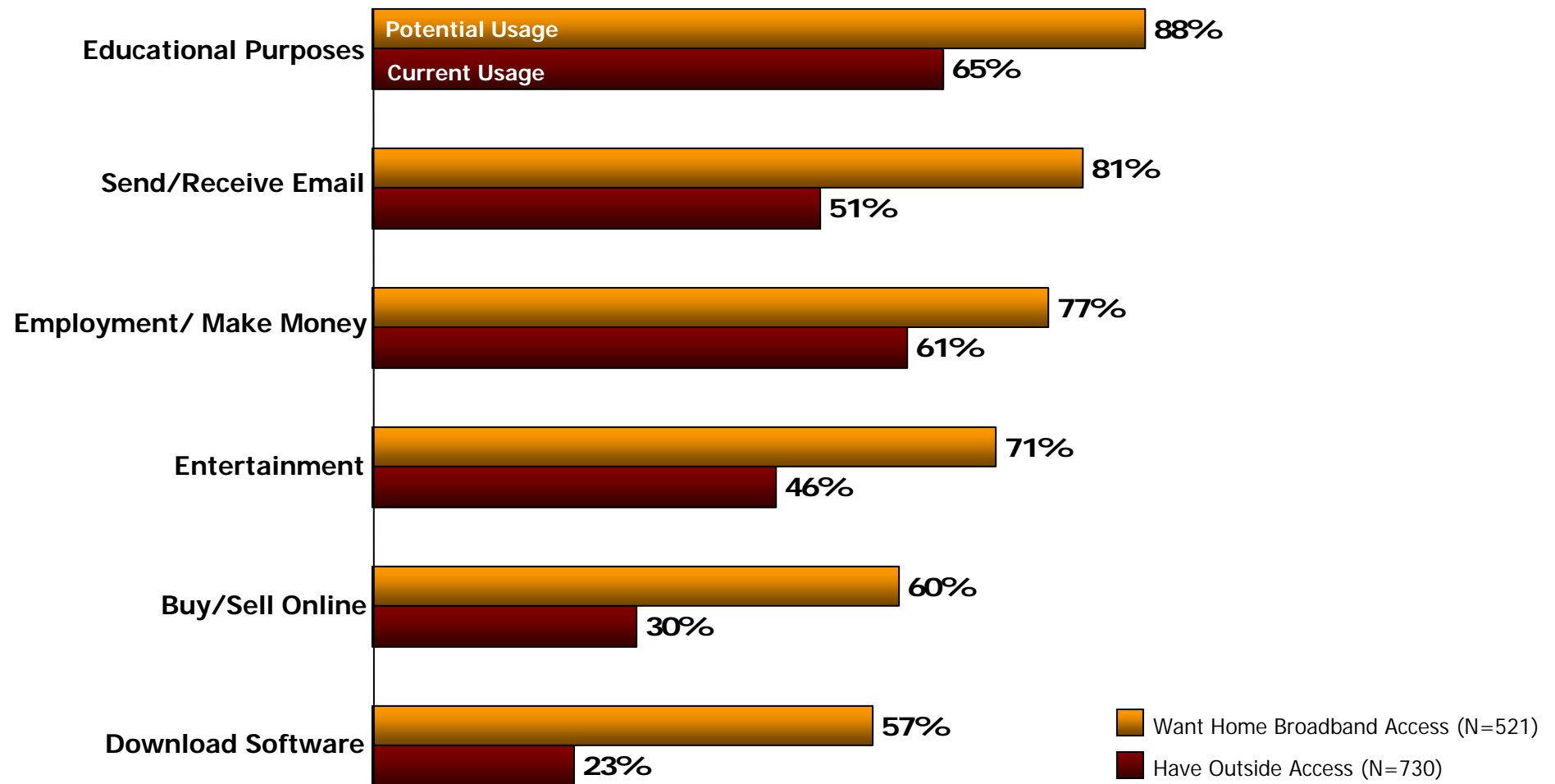


N=322 Note: At the 95% confidence level the margin of error given N=322 is approximately +/-6%.

# **Broadband Uses/Benefits**

## Internet Usage: Current vs. Expected Usage

When compared to outside-the-home usage behavior, those who want Broadband access at home indicated significantly broader potential usage of the Internet overall and heavier usage in each measured area. Also, those who want Broadband at home were most likely to indicate they would use it for Educational purposes (88%).



Note: At the 95% confidence level the margin of error given the sample sizes of both groups is approximately +/-4%.

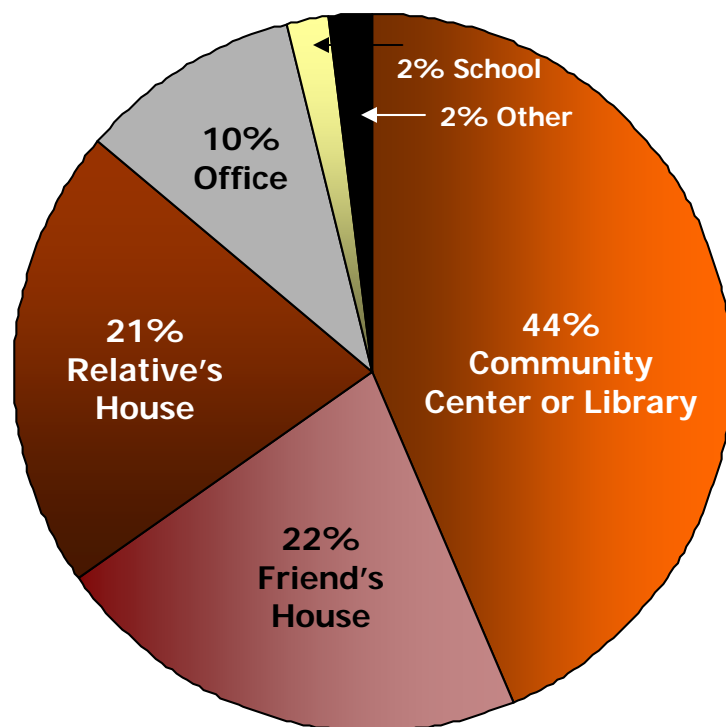
# **Location of Access Outside of Home**

## Outside Access: Location of Service and Email Address Status

Among SafeLink users with outside Internet access (73%), community centers/libraries and friend's and relative's houses were the most frequent access points.

62% have an email address.

Where is the computer that you use outside the home? (N=731)



% Have Email Address		N=731
Yes		62
No		38

Note: At the 95% confidence level the margin of error given N=731 is approximately +/-4%.

# **SafeLink User Profile**

# SafeLink User Profile

## Age, Gender and Children in Household

The average surveyed SafeLink customer was a minority female in her late 40's.

SafeLink Customers	
% Indicating...	N=1000
Average Age	46 years
Under 35	23
35 to 54	49
55 Over	28
Female	77
Have Children Under 18	49
At the 95% confidence level, the margin of error given N=1000 is approximately +/-3%.	



Note: At the 95% confidence level the margin of error given N=731 is approximately +/-4%.